

2006-2007 PERFORMANCE PLAN – PORTFOLIO MANAGER, U.S. GOVERNMENT SECURITIES (Grady)

Quantitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule
40%	CalPERS Internal Governments	Net of Fees, excess return in basis points relative to: Internal Governments – CalPERS Custom Government {SW1H – CALCTI2}	0 basis points = 0 +20 basis points = 1.0 +30 basis points = 1.5
30%	CalPERS Domestic Fixed Income (FI), Internal	Net of Fees, excess return in basis points relative to: Domestic Fixed Income (FI), Internal – CalPERS Custom LEH LPF {SW4KA1 – CALCCLP2}	0 basis points = 0 +40 basis points = 1.0 +60 basis points = 1.5
15%	Other Managed Fixed Income Funds	<p>Net of Fees, excess return in basis points relative to:</p> <ul style="list-style-type: none"> (6%) Pooled U.S. Government – CalPERS Custom Government ex TIPS {SK96 – CALLGOXT} (2%) Total Affiliates Fund- CalPERS Custom LEH LPF ex TIPS and High Yield {SKGKA1-CPERID1D} (3%) Pooled U.S. Government TIPS Fund – CalPERS TIPS {SKA1 – CALTIPS2} <p>Gross of Fees, excess return in basis points relative to:</p> <ul style="list-style-type: none"> (2%) Deferred Compensation Intermediate Treasury – CalPERS Custom LEH 1-10 Treasury {SK50 – CALLEH12} (2%) Deferred Compensation Short Term Treasury – PERS 1 Month T-bill {SK51 – CPER1MT2} 	<p>0 basis points = 0 +20 basis points = 1.0 +30 basis points = 1.5</p> <p>0 basis points = 0 +30 basis points = 1.0 +45 basis points = 1.5</p> <p>0 basis points = 0 +10 basis points = 1.0 +20 basis points = 1.5</p> <p>0 basis points = 0 +10 basis points = 1.0 +20 basis points = 1.5</p> <p>0 basis points = 0 +10 basis points = 1.0 +20 basis points = 1.5</p>

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Quantitative Performance Measures (continued)

Weight	Factor	Performance Measure	Incentive Schedule
85%	Subtotal	Quantitative Measures	

Qualitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule
15%	Leadership	TBD	
15%	Subtotal	Qualitative Measures	
100%	Total	Quantitative and Qualitative Measures	

Supervisor's Approval: Original signed by Russell Read

Date: June 7, 2006